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Unemployment

Labour Statistics: Concepts, Sources and Methods

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Concepts and international guidelines

Unemployed people are defined as all those of working age who were not in employment, carried out activities to seek employment during a specified recent period and were currently available to take up employment given a job opportunity.

[Nineteenth International Conference of Labour Statisticians \(ICLS\) 2013 \(http://ilo.org/wcmsp5/groups/public/---dgreports/---stat/documents/normativeinstrument/wcms_230304.pdf\)](http://ilo.org/wcmsp5/groups/public/---dgreports/---stat/documents/normativeinstrument/wcms_230304.pdf)

Not in employment

'Not in employment' is assessed with respect to the short reference period for the measurement of employment. The purpose of the 'not in employment' criterion is to ensure that employment and unemployment are mutually exclusive. As precedence is given to employment, a person should only be classified as unemployed if they do not satisfy the criteria for employment. The not in employment criterion refers to a total lack of work, that is, not in paid employment or self-employment, as defined in international standards for employment. People who are 'without work' should not have undertaken any work at all (not even for one hour) during the reference period, nor should they have been temporarily absent from a job to which they have a formal attachment.

Seeking employment

Seeking employment refers to any activity when carried out, during a specified recent period comprising the last four weeks or one month, for the purpose of finding a job or

setting up a business or agricultural undertaking.

[Nineteenth International Conference of Labour Statisticians \(ICLS\) 2013 \(http://ilo.org/wcmstp5/groups/public/---dgreports/---stat/documents/normativeinstrument/wcms_230304.pdf\)](http://ilo.org/wcmstp5/groups/public/---dgreports/---stat/documents/normativeinstrument/wcms_230304.pdf)

According to the international guidelines seeking employment includes also part-time, informal, temporary, seasonal or casual employment, within the national territory or abroad. Examples of such activities are: "arranging for financial resources, applying for permits, licences; looking for land, premises, machinery, supplies, farming inputs; seeking the assistance of friends, relatives or other types of intermediaries; registering with or contacting public or private employment services; applying to employers directly, checking at worksites, farms, factory gates, markets or other assembly places; placing or answering newspaper or online job advertisements; placing or updating resumes on professional or social networking sites online, etc." ([Nineteenth International Conference of Labour Statisticians \(ICLS\) 2013 \(http://ilo.org/wcmstp5/groups/public/---dgreports/---stat/documents/normativeinstrument/wcms_230304.pdf\)](http://ilo.org/wcmstp5/groups/public/---dgreports/---stat/documents/normativeinstrument/wcms_230304.pdf)).

To ensure that unemployment serves as a measure of current labour market performance that can capture short-term changes in labour market absorption, a 'specified recent period' is used to capture activities to seek employment. It is intended to be interpreted as a longer period than the reference day or week, in order to account for the time-lags that often follow initial steps to seek employment, during which jobseekers may choose not to take any other steps to find employment.

The international guidelines note that to be considered undertaking an active job search, a person must have done something specific to obtain work before being classified as 'seeking work'. A general declaration of being in search of work is not sufficient.

The active job search criterion is waived for persons waiting to start a new job that they have already obtained and that is to begin after the end of the reference period (these persons are referred to as future starters). According to the international standards, future starters are defined as persons 'not in employment' and 'currently available' who did not 'seek employment', because they had already made arrangements to start a job within a short subsequent period, set according to the general length of waiting time for starting a new job in the national context but generally not greater than three months. The active search criterion is waived; having already secured employment, persons waiting to take up a job may not feel the need to look for work. The international guidelines consider that this group should be treated as unemployed rather than employed because, since they are available to start work, such persons would presumably have started work had the job begun earlier and, as such, this group forms part of currently underutilised labour

resources.

The international guidelines recommend that countries develop classifications of persons not in the labour force, according to the relative strength of their attachment to the labour market. Persons with marginal attachment include those persons who are not in the labour force, who wanted to work but were not actively looking for work, and were available to start work within four weeks from the end of the reference period.

Currently available for employment

Persons without employment who are seeking employment should also be available for employment if they are to be considered as unemployed.

[Nineteenth International Conference of Labour Statisticians \(ICLS\) 2013 \(http://ilo.org/wcmsp5/groups/public/---dgreports/---stat/documents/normativeinstrument/wcms_230304.pdf\)](http://ilo.org/wcmsp5/groups/public/---dgreports/---stat/documents/normativeinstrument/wcms_230304.pdf)

In this context, availability for employment is a test of readiness to start a job in the present, assessed with respect to a short reference period comprising that used to measure employment: depending on national circumstances, the reference period may be extended to include a short subsequent period not exceeding two weeks in total, so as to ensure adequate coverage of unemployment situations among different population groups. The international standards recommend that a slightly longer reference period of measurement than the reference week would be better suited to capturing situations of unemployment among different population subgroups. Reasons for choosing a longer reference period include: the fact that not everyone who is seeking work can be expected to take up a job immediately when one is offered; and the fact that there are some forms of employment where workers are employed on a pay period basis and have to wait until a new pay period starts before taking up work.

The international guidelines recommend that countries develop classifications of persons not in the labour force according to the relative strength of their attachment to the labour market. Persons with marginal attachment include those persons who are not in the labour force, who wanted to work and had actively looked for work (in the four weeks up to the end of the survey reference week), but did not meet the availability criterion to be classified as unemployed.

Definitions used in ABS surveys

The ABS produces estimates of unemployment from most household surveys. The LFS is

designed to produce estimates of unemployment (and employment), and the definition used aligns closely with the international definitions outlined above. In other household surveys, where unemployment is an explanatory or classificatory variable, unemployment is less precise than that used in the LFS.

Labour Force Survey

Unemployed people are defined as all persons aged 15 years and over who were not employed during the reference week, and:

- had actively looked for full-time or part-time work at any time in the four weeks up to the end of the reference week, and were available for work in the reference week, or
- were waiting to start a new job within four weeks from the end of the reference week, and could have started in the reference week if the job had been available then.

'Actively looked for work' includes: written, telephoned or applied to an employer; had an interview with an employer for work; answered an advertisement for a job; checked or registered with an employment agency; taken steps to purchase or start your own business; advertised or tendered for work; and contacted friends or relatives to find work.

People who only looked in newspapers or at job advertisements on the internet are seen as passively, rather than actively, looking for work and so are not considered unemployed. Similarly, just checking noticeboards is not considered an active job search step. These steps in isolation do not meet the active search criterion, as it is impossible to obtain work by looking at a job advertisement without some additional, active, job search step (for example, contacting the employer).

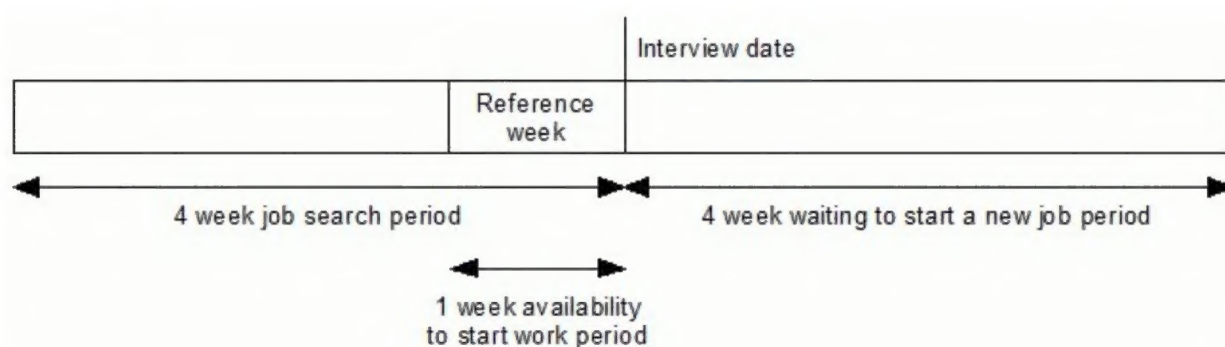
Future starters are those persons who were not employed during the reference week, were waiting to start a job within four weeks from the end of the reference week, and could have started in the reference week if the job had been available then. As described above, under International Labour Organisation (ILO) guidelines, future starters do not have to be actively looking for work in order to be classified as unemployed. Until February 2004, the Labour Force Survey definition of unemployed only included the subset of future starters who had actively looked for work in the four weeks to the end of the reference week. Hence, the Labour Force Survey treatment of future starters was not fully consistent with the ILO standards, as the precondition of active job search was not waived meaning some future starters were defined as 'not in the labour force'.

From February 2004, future starters who had not actively looked for work are classified as unemployed in the Labour Force Survey, in line with ILO guidelines. Labour Force Survey estimates were revised back to April 2001 to reflect this change. This revision created a small trend break at April 2001 in unemployed persons and unemployment rate series. For

further information on this change, see pages 11 and 12 of [Information Paper: Forthcoming Changes to Labour Force Statistics, 2003 or Labour Force, Australia, Feb 2004 \(https://www.abs.gov.au/AUSSTATS/abs@.nsf/allprimarymainfeatures/B71E8D17E6993BE1CA2572DF00150A31?opendocument\)](https://www.abs.gov.au/AUSSTATS/abs@.nsf/allprimarymainfeatures/B71E8D17E6993BE1CA2572DF00150A31?opendocument).

Different reference periods apply for defining not employed, availability to start work, job search, and waiting to start a new job. The short, one week reference period ('reference week') is used in defining those 'not employed', and in determining their availability for work, in accordance with the international guidelines. For active job search, a longer (four week) period that includes the reference week is applied. For future starters, a period of four weeks is used for the waiting period beyond the reference week in which the job will commence.

Reference Periods Used in the Labour Force Survey for Determining Unemployment



Other ABS household surveys

To produce unemployment estimates, most other ABS household surveys use one of the two alternative questionnaire modules: the reduced questionnaire module (used for personal interviews); or the self-enumerated questionnaire module. As discussed above, unemployment is defined less precisely in these modules than in the LFS.

Most Special Social Surveys use the reduced questionnaire module for personal interviews. Unemployment in this module is defined as persons aged 15 years and over who were not employed during the reference week, had actively looked for work and were available to start work. Compared with estimates of unemployment from the LFS, the reduced questionnaire module for personal interviews results in lower estimates of unemployment. This arises from the simplified treatment of certain categories of persons:

- the reduced questionnaire module for personal interviews does not ask respondents about the reasons they did not actively look for work. Therefore, the reduced

questionnaire module does not identify those 'future starters' who had not actively looked for. When the reduced questionnaire module is used, these 'future starters' are classified as not in the labour force rather than as unemployed; and

- in the LFS, persons on workers' compensation 'last week' and not returning (or who do not know if they will be returning) to work, and persons away from work for four weeks or more without pay, are classified as either unemployed or not in the labour force. Where the reduced questionnaire module is used, all persons absent from work, but who usually work one hour or more a week, are classified as employed.

The self-enumerated questionnaire module used in the Census of Population and Housing also produces different estimates of unemployment when compared to the LFS. Some differences result from the shortened set of questions, which cannot determine unemployment as precisely as the LFS. Other differences result from the self-enumeration nature of the questions and the inevitable differences in interpretation among respondents. As a result, estimates of unemployment from the self-enumerated questionnaire module are best used as explanatory or classificatory variables to explain other phenomena, rather than for detailed analysis of the labour force itself.

Data sources

Unemployment estimates are available from:

- the Labour Force Survey (LFS)
- the Participation, Job Search and Mobility Survey (PJSM)
- Labour Account
- the Census of Population and Housing
- Special Social Surveys

Labour Force Survey (LFS)

The LFS is the official source of Australian employment and unemployment statistics. The definition of unemployment used in the LFS is outlined above. The LFS uses a comprehensive and detailed set of questions to precisely measure the numbers and selected characteristics of persons in employment and unemployment, as well as persons who are not currently economically active. Estimates from the LFS are available by State/Territory, Capital City/Rest of State, and for LFS regions.

Participation, Job Search and Mobility (PJSM)

The supplement to the LFS, the PJSM Survey, defines unemployment in the same way as the LFS, but excludes persons living in Aboriginal and Torres Strait Islander communities in very remote parts of Australia. The exclusion of these persons will have only a minor impact on

any aggregate estimates that are produced for individual states and territories, except the Northern Territory where such persons account for around a quarter of the population.

Census of Population and Housing

The self-enumerated questionnaire module defines unemployment less precisely than the LFS, and the estimates produced are not strictly comparable with those from the LFS. For this reason, unemployment estimates from the Census should be used with caution in analyses where labour force activities are a major focus. When comparing estimates of unemployment from the Census of Population and Housing with those produced from the LFS, users should also note differences between the two surveys in scope (for example, the inclusion of permanent defence forces in Census employment data) and methodology.

Special Social Surveys

As the reduced questionnaire module defines unemployment less precisely than the LFS, estimates produced are not strictly comparable with those from the LFS. When comparing estimates from the Special Social Surveys with those from the LFS, users should also note differences in scope and methodology across the collections.

Unlike most Special Social Surveys, the Survey of Employment Arrangements, Retirement and Superannuation, and the Survey of Employment and Unemployment Patterns, did not use the reduced questionnaire module to produce measures of unemployment as described above. Instead, these surveys used the full set of questions asked in the LFS.

Measures of unemployment

Unemployment rate

The unemployment rate for any group is defined as the number of unemployed persons expressed as a percentage of the labour force (employed plus unemployed). As one measure of the proportion of the labour force that is underutilised, an important use is as an indicator of the performance of the economy. A high rate of unemployment indicates limited employment opportunities in a labour market that is oversupplied. A low rate of unemployment indicates a tight labour market, a potential scarcity of skilled labour, and future cost pressures from wage demands from workers.

The trend over time in the overall unemployment rate serves as an indicator of the performance of the economy, while the unemployment rate for different groups of persons (e.g. younger persons, older persons, and women) identifies areas of social concern when rates for some groups are much higher than for others.

Duration of job search

Conceptually, duration of job search is the period of time during which an person who is currently unemployed has been in a continuous state of unemployment. To measure this period accurately would require that all three criteria for defining an unemployed person be satisfied continuously and simultaneously over the whole period (i.e. without paid work, actively looking for work and available to commence work). However, it is impractical to apply all three criteria to past periods in a household survey because of the lengthy and complex questioning needed to test for the criteria, and the memory recall difficulties of respondents. For this reason, in practice the measurement of duration of unemployment focuses on the period of time that a person has been without paid work, and/or has been looking for work.

Duration of job search measures the elapsed number of weeks to the end of the reference week since a currently unemployed person began looking for work, or since that person last worked, whichever is the shorter. For persons who began looking for work while still employed, it is the period from the time the person last worked to the end of the reference week.

Long-term unemployment

Within unemployment, it is possible to identify persons who are in long-term unemployment, defined as having duration of unemployment of 12 months or more. The number of unemployed people is an important social and economic indicator. The length of time that currently unemployed people have been looking for work or since they last worked (previously referred to as duration of unemployment) is also important from both an economic and social perspective. Long-term unemployment (i.e. where duration of job search is 52 weeks or more) is of particular social concern due to the consequences of being out of work for long periods, such as financial hardship and the loss of relevant skills. From an economic perspective, the longer people are unemployed the less likely they are going to be able to contribute to the economy.

Since its inception in 1960, the ABS Labour Force Survey (LFS) has collected information about duration of unemployment for unemployed persons. The survey collects data each month about the length, in completed weeks, of current (incomplete) spells of looking for work and/or time since last job from those who are currently unemployed.

Duration of unemployment refers to the amount of time that an unemployed person has not been employed. Over an extended period an unemployed person may have changes in their availability or active job search behaviour, with a spell or multiple spells of being not in the labour force.

The definition used by the ABS aligns with international standards (19th ICLS resolution (2013) concerning statistics of work, employment and labour underutilisation).